

5 Workbook on the California Innovation Initiatives

Statutory References:

Government Code Section 12096.3 and 12096.4

Government Code Sections 12099 through 12099.7

Program Purpose: To designate Innovation Hubs (iHubs) for the purpose of stimulating partnerships, economic development, and job creation activities. The iHub Program is designed leverage regional assets around innovation platforms for startup businesses, economic development organizations, business groups, and venture capitalists.

Program Narrative: The Innovation and Entrepreneurship unit is designed to serve as the state's primary point of contact for promoting California's innovation infrastructure. The sole staff person for the unit participates in a range of activities, often hosted by others or undertaken in partnership, that encourage entrepreneurship, promote long term economic growth, and facilitate job creation through innovation.

The Innovation and Entrepreneurship unit also works closely with other GO-Biz units, including CalBIS, to meet client businesses' needs. Under the auspices of the Innovation and Entrepreneurship unit, GO-Biz convenes key stakeholders on issues that support the development of California's innovation-based businesses and workforce and inspire entrepreneurship.

Another core component to this unit is the administration of California's Innovation Hub (iHub) Program. The iHub network supports 15 partnerships between incubators, co-working spaces, non-profit economic development organizations, government entities, universities, businesses, and investment networks to accelerate investment and economic development. Information provided below includes a summary of each iHub and a map of California indicating the iHub region and/or main center. <http://www.business.ca.gov/Programs/Innovation.aspx>

Related Appendices: *Appendix D* includes a fact sheet with data on the California economy, *Appendix F* has a graphic of the 10 drivers of the California economy, and *Appendix A and B* include additional program information provided by GO-Biz. *Appendix E* has information on the significant number of small businesses in California, including the increase in minority, women, and veteran-owned businesses between 2007 and 2012.

Key Statutory Requirements:

- 1) Requires GO-Biz to serve the Governor as the lead entity for economic strategy and marketing of California on issues relating to business development, private sector investment, and economic growth.
- 2) Creates the California Innovation Hub Program and requires GO-Biz to designate and oversee the Innovation Hubs.
- 3) Requires iHubs to serve as a primary statewide partner of GO-Biz and to coordinate activities with the Employment Training Panel, the California Workforce Investment Board, the Office of the

Chancellor of the California Community Colleges, the University of California system, the California State University system, and other state economic and workforce development programs.

- 4) Requires iHub applications to identify related local and regional incentives and support programs; list the assets and resources of the iHub; identify the focus area of the iHub including industry sectors; list specific resources available to support and guide startup companies; list the iHub goals and expectations for job development and business creation; define performance standards which have been agreed upon by the partners involved in the development of the iHub; and set evaluation procedures that will be used to measure the level of achievement for each stated goal.
- 5) Requires iHub applications to include the following information related to innovation expertise: demonstrated experience with innovation programs such as involvement with technology commercialization; demonstrated experience with technology transfer or licensing; demonstrated experience with intellectual property management.
- 6) Specifies that establishment of the iHub is contingent upon the applicant and GO-Biz entering into a memorandum of understanding that includes the goals and performance standards identified in the application and other related requirements as determined by the office.
- 7) Requires a designated iHub to include at least one major university, research center, or institute; one economic development organization; and at least four of the following types of entities:
 - a) A business support organization including a workforce development or training organization, incubator or business accelerator, business technical assistance provider, chamber of commerce, or networking organization that supports innovation.
 - b) An educational consortium including technology transfer representatives;
 - c) A venture capital network including angel investors;
 - d) A business foundation, innovation foundation, science foundation, laboratory research institution, federal laboratory, or research and development facility;
 - e) A municipal economic development division or department; and
 - f) A federal government partner such as a national laboratory.
- 8) Requires an iHub self-certify, prior to designation, that the iHub will comply with the state's nondiscrimination policy, and that the iHub and its principals are current in payment of all state and local taxes, as specified.

Program Priorities in Statute: None

Program Authorities in Statute:

- 1) Authorizes GO-Biz to make recommendations to the Governor and the Legislature on new state policies, programs, and actions, or amendments to existing programs, advance statewide economic goals and respond to emerging economic problems and opportunities, and ensure that all state policies and programs conform to the adopted state economic and business development goals.

- 2) Authorizes GO-Biz to coordinate the development of policies and criteria to ensure that federal grants administered or directly expended by state government advance statewide economic goals and objectives.
- 3) Authorizes GO-Biz to market the business and investment opportunities available in California by working in partnership with local, regional, federal, and other state public and private institutions to encourage business development and investment in the state.
- 4) Authorizes GO-Biz to encourage collaboration among research institutions, startup companies, local governments, venture capitalists, and economic development agencies to promote innovation.
- 5) Authorizes GO-Biz to designate an iHub for a term of not more than five years. An iHub may reapply for a designation without limitation on the number of times.
- 6) Authorizes GO-Biz to designate more than one iHub in an area to the extent that there is a clear distinction between the focus area of each iHub.
- 7) Authorizes an iHub to offer the following services:
 - a) Provide counseling and technical assistance in the areas of entrepreneurial business planning and management, financing, and marketing for small businesses;
 - b) Provide expert advice to entrepreneurs on starting a business, including legal requirements for starting a business, and access to financing opportunities;
 - c) Conduct business workshops, seminars, and conferences with local partners including, but not limited to, state universities, state community colleges, local governments, state and federal service providers, private industry, workforce investment boards and agencies, small business development centers, microenterprise development organizations, small business service agencies, economic development organizations, and chambers of commerce; and
 - d) Facilitate partnerships between innovative startup businesses, research institutions, and venture capitalists or financial institutions.

Reporting Requirements in Statute: Each iHub is required to annually report to GO-Biz on its progress in meeting the goals and performance standards as described in the iHUB application and implementing memorandum of understanding with the office. GO-Biz is required to annually post the information from these reports on the office's Internet website and provide notice to the Governor and relevant policy committees of the Legislature that the information is available on the Internet website.

Small Business Focus in Statute: Yes

Distressed Community Focus in Statute: No

Tracking Program Activity: According to GO-Biz, the Innovation and Entrepreneurship unit holds two in-person meetings with each iHub on an annual basis. There are also monthly conference calls with all iHubs to discuss progress, partnership, best practices, and changes affecting the California innovation

ecosystem. The iHubs are also required to annually self-report progress to GO-Biz, however, GO-Biz reports that the self-reporting has been spotty, especially in the first year. According to GO-Biz, the 2015 report is currently being drafted.

Number of Businesses Served: GO-Biz is developing this number.

Number of Out-of-State Businesses Served: The legacy client management system used by GO-Biz makes it very difficult to determine the number of out-of-state businesses served without the significant redirection of staff time. In July 2015, GO-Biz launched a new California Business Portal, which will allow GO-Biz to more effectively track business services.

Number of Business Receiving Project-Level Service: While not every business assisted by CalBIS, receives the level of service that warrants the creation of a "project" within the customer management relationship computer database, projects are one indicator of the number of businesses that receive significant services from CalBIS, including site selection and individualized business incentive lists. CalBIS logged 285 projects in 2014 and had 243 new active projects in 2015.

Current Regulatory Activities: GO-Biz is required to set guidelines for approval, designation, operation, reporting, re-designation, and de-designation of iHubs. No current activities known.

List of California iHubs (map provided later in workbook)

- 1. Inland SoCal Link** (Western Riverside County and the County of San Bernardino)
Lead: Rob Moran, Riverside County Economic Development Agency.
The mission of the InLand SoCal Link iHub is to promote collaboration and industry development in the port tech, advanced manufacturing, and logistics sectors.
- 2. CNMI** (California Network of Manufacturing Innovation) (CNMI) (Statewide)
Lead: James Watson, President & CEO CMTC.
The mission of the CNMI iHub is to serve as a statewide collaborative organization to support and foster the manufacturing sector.
- 3. iHub LA** (City of Los Angeles/LA County)
Lead: Fred Walti, President & CEO, LA Cleantech Incubator (LACI).
Mike Swords, VP of Partnerships, LA Cleantech Incubator (LACI)
The mission of iHub LA is to support early stage companies, targeted R&D, and collaboration among the region's key stakeholders, assisting to deliver on the regions goals of sustainability, livability and job creation.
- 4. iGATE** (Livermore and the Tri Valley)
Lead: Brandon Cardwell, Executive Director and Marilyn Eakin, Community Manager.
The mission of the iGATE iHub is to power the Tri-Valley startup community through technology showcases, startup education, and shared lab and workspaces, as well as bringing national lab technology into the market.
- 5. iHub San Joaquin** (San Joaquin County)

Lead: Elena Reyes, Sr. Deputy County Administrator, County Administrator's Office.
The mission of iHub San Joaquin is to support health care, sustainable construction technology and agriculture technology.

6. **iHub Sacramento** (Sacramento, Butte, Nevada, El Dorado, Placer, Yuba, Sutter, Yolo, and Solano Counties)

Lead: *In Transition*

The mission of the Sacramento iHub is to empower the region's natural competitive advantages in agro-sciences, medical services, clean energy, entrepreneurship and government technology to become globally competitive growth clusters.

7. **North Bay iHub** (Sonoma, Marin, Napa Counties)

Lead: Ameer Sas, Executive Director SoCo Nexus.

The mission of the North Bay iHub is to create high value jobs in the region by enabling and accelerating the success of technology start-ups within a dynamic, sustainable and synergistic environment.

8. **SF iHub** (County & City of San Francisco)

Leads: Dennis Conaghan, Executive Director, San Francisco Center for Economic Development and Kelsey Mead, Economic Development Coordinator, San Francisco Center for Economic Development.

The mission of the SF iHub is to serve as a conduit, problem-solver, and facilitator for creating new businesses and new jobs sectors ranging from biotechnology to fashion. Their goal is to help companies of all sizes, particularly start-ups and small businesses, navigate through processes, and challenges to achieve success.

9. **Innovate North State iHub** (Butte, Sierra, Nevada, Tehama, Shasta and Plumas Counties)

Lead: *(Naming a new lead as former just resigned)*

Operates a new business incubator, The Innovation Lab, which is focused on 5 sectors: Manufacturing, clean tech, medical technology, information technology, and agri-technology/food products.

10. **The Central Valley iHub** *(formerly the CalValleyTech iHub)* (Merced, Madera, Fresno, Kings and Tulare Counties)

Lead: Karmjot Grewal, Program Manager, Office of Community & Economic Development Cal State University, Fresno.

Diane Howerton, Regional Director, UC Merced SBDC Regional Network

The mission of the Central Valley iHub is to foster new knowledge and innovative technologies that address the needs of the Central San Joaquin Valley especially water and agriculture.

11. **San Jose/Silicon Valley iHub** (San Jose & Greater Silicon Valley)

Lead: Chris Burton, Sr. Business Development Manager City of San Jose .

The mission of the San Jose/Silicon Valley iHub is to coordinate and catalyze activities that increase the job base, entrepreneurship, and research funding in the region.

12. **iDEA iHub** (Kern, Ventura, Orange, Los Angeles, Santa Barbara, San Luis Obispo and San

Diego Counties)

Lead: Bill Hogan, iDEA Hub Executive Director.

The mission of the iDEA Hub is to provide an ideal backdrop to incubate and grow Defense, Energy, and Aerospace technology businesses.

REGIONAL LOCATIONS OF THE INNOVATION HUB PROGRAM



13. **OCTANe** (Orange County)

Lead: Paul Symczak, VP Entrepreneurship/Executive Director, LaunchPad SBDC.

The mission of the OCTANe iHub is to enable life science technology, information technology, sports technology, and clean technology companies in Orange County to get started and grow.

14. **Palm Springs iHub** (*Formerly the Coachella Valley iHub*) (Cities of Palm Springs, Desert Hot Springs and Cathedral City)

Lead: Joe Wallace, Executive Director Coachella Valley Economic Partnership.

The mission of the Palm Springs iHub is to be an incubator that provides programs, services, and incentives to start-up businesses focused on clean technology and renewable energy.

15. **San Diego iHub** (San Diego & Imperial Counties and Western Riverside County)

Lead: Greg McKee, President & CEO of CONNECT.

The mission of iHub San Diego is to build upon the region's existing innovation infrastructure and strong culture of collaboration to create convergence among such clusters as cyber security, mobile health, biofuels, solar and energy storage as well as emerging sectors such as biomimicry.

Summary of Reports: No related program reports available

Background on the Creation of the Program: The iHub Program was established in statute through the enactment of AB 250 (Holden and V. Manuel Pérez), Chapter 530, Statutes of 2013. The bill codified and expanded the California Innovation Hub Program at GO-Biz for the purpose of stimulating economic development and job creation through the regional coordination of federal, state, and local innovation-supporting resources. Status: Signed by the Governor, Chapter 530, Statutes of 2013.

Selection of Innovation Accomplishments

- The 2015 launch of the California Business Portal, including a Business Service Desk, information on business incentives, local mapping function to identify business and workforce capabilities in certain geographic areas, and a business navigator with an application to help business customize regulation, permitting, and incentive information.
- *GO-Biz may wish to present information on additional accomplishments during the hearing.*

Areas for Possible Further Discussion

- **Missing Reports:** Existing law requires each of the iHubs to annually update GO-Biz on their progress in implementing the strategic plans, which were submitted as part of their application. GO-Biz is required to aggregate those reports and submit that information to the Legislature. There does not appear to be a 2014 or a 2015 report. GO-Biz has said they are working on the 2015 report. Members may want to ask about the challenges they have faced in obtaining information and the strategies they are using to meet the existing statutory requirement.
- **Workforce Development:** California's draft Unified Plan for the implementation of the federal Workforce Innovation and Opportunity Act proposes to use GO-Biz to provide critical information

on employer trends and use its relationships with local and regional economic development organizations to identify and engage with emerging and established industry sectors. The iHubs are specifically called out as a key partner. Members may wish to learn more about how GO-Biz plans to undertake these activities and how Legislators may assist with this work in their own districts.

- ***Future Tracking Opportunities:*** In July 2015, GO-Biz launched the California Business Portal, which will provide a range of services that allow a user to customize the provided information to best suit their business needs. Another attribute of the California Business Portal will be an increased ability to track the number of businesses and types of businesses served. Members may wish to talk with GO-Biz about the implementation of this new resource to ensure it is tracking, among other things, the type of information necessary for planning, resource allocation, program analysis, and oversight.
- ***Staffing:*** A key component of California's competitiveness, is its dominance within innovation-based industry sectors. Given that the Innovation and Entrepreneurship unit has only one dedicated staff person, it is difficult to assess whether the unit is fulfilling its mission and objectives.

Related Statute

CHAPTER 1.6. of the Government Code - Governor's Office of Business and Economic Development

ARTICLE 3. Powers and Duties

12096.3. The office shall serve the Governor as the lead entity for economic strategy and the marketing of California on issues relating to business development, private sector investment, and economic growth. In this capacity, the office may:

- (a) Recommend to the Governor and the Legislature new state policies, programs, and actions, or amendments to existing programs, advance statewide economic goals and respond to emerging economic problems and opportunities, and ensure that all state policies and programs conform to the adopted state economic and business development goals.
- (b) Coordinate the development of policies and criteria to ensure that federal grants administered or directly expended by state government advance statewide economic goals and objectives.
- (c) Market the business and investment opportunities available in California by working in partnership with local, regional, federal, and other state public and private institutions to encourage business development and investment in the state.
- (d) Provide, including, but not limited to, all of the following:
 - (1) Economic and demographic data.
 - (2) Financial information to help link businesses with state and local public and private programs.
 - (3) Workforce information, including, but not limited to, labor availability, training, and education programs.
 - (4) Transportation and infrastructure information.
 - (5) Assistance in obtaining state and local permits.
 - (6) Information on tax credits and other incentives.
 - (7) Permitting, siting, and other regulatory information pertinent to business operations in the state.
- (e) Establish a well-advertised telephone number, an interactive Internet Web site, and an administrative structure that effectively supports the facilitation of business development and investment in the state.

- (f) Encourage collaboration among research institutions, startup companies, local governments, venture capitalists, and economic development agencies to promote innovation.
- (g) In cooperation with the federal government, foster relationships with overseas entities to improve the state's image as a destination for business investment and expansion.
- (h) Conduct research on the state's business climate, including, but not limited to, research on how the state can remain on the leading edge of innovation and emerging sectors.
- (i) Support small businesses by providing information about accessing capital, complying with regulations, and supporting state initiatives that support small business.

12096.4. (a) Each member of the Governor's cabinet shall identify a senior manager within his or her agency who shall coordinate business support activities with the office.

(b) For the 2012–13 fiscal year and subsequent fiscal years, the office shall develop a budget in coordination with the Department of Finance pursuant to the state budgeting process, including the permanent transfer of associated positions.

ARTICLE 6.2. California Innovation Initiatives

12099. The Legislature finds and declares all of the following:

- (a) Job creation through rapid technology commercialization is a vital part of the state's economic well-being, as identified in a January 2012 symposium held by the Brookings Institute.
- (b) Innovation and tech-driven entrepreneurial activity coupled with venture investment creates small business startups and expansions at an accelerated rate, which leads to significant employment opportunities that contribute to the state's financial health and economic competitiveness.
- (c) In order to maintain a healthy state economy and to aid communities, entrepreneurship and technology-based small businesses must be stimulated and supported.
- (d) The Innovation Hubs (iHubs) are operated in California through a cooperative agreement between the Governor's Office of Business and Economic Development (GO-Biz) and geographically distinct regions, all of which are partnered with public universities, community college districts, local governments, research institutions, industry, angel and venture capital networks, and traditional financial institutions. The iHubs are California's premier resource for facilitating the success of entrepreneurial and small technology startups that can grow California's economy by assisting business owners in creating and retaining jobs, increasing sales and profits, securing business financing, and creating a successful new business climate in the state.
- (e) The iHubs' economic impact in fostering entrepreneurial business activity leads to job creation and an innovation in the economy by establishing a formal partnership between the office and the iHub program.
- (f) It is necessary to establish a fund that would enable the office to obtain funding from private sources, for appropriation to state designated iHubs, iHub partner organizations, and within state iHub-designated regions for the purpose of establishing, promoting, and enhancing California's innovation and entrepreneurship ecosystem.

12099.1. (a) The California Innovation Hub Program is hereby created within the office.

(b) The office shall designate Innovation Hubs within the state to stimulate partnerships, economic development, and job creation by leveraging assets to provide an innovation platform for startup businesses, economic development organizations, business groups, and venture capitalists. The assets

may include, but are not limited to, research parks, technology incubators, universities, and federal laboratories.

(c) The office shall oversee, coordinate, and provide assistance to each iHub.

12099.2. For purposes of this article, the following terms shall be defined as follows:

(a) “Applicant” means one or more entities that submit an application to GO-Biz. Eligible applicants shall be one or more of the following:

(1) A fully accredited institution of higher education.

(2) A private nonprofit corporation engaged in economic development activities.

(3) A county or municipality in this state that has a preexisting economic development department or program or both.

(4) A public economic development institution such as a workforce investment board or an economic development corporation.

(b) “Innovation Hub” or “iHub” means a partnership between interrelated firms, local governments, economic development organizations, educational entities, and industries that collectively drive economic growth within a defined geographic area.

(c) “iHub coordinator” means the individual or entity agreed to by the iHub partnership that is responsible for all of the following:

(1) Implementing the objectives of the iHub.

(2) Serving as the primary agent responsible for coordinating services and resources and maintaining the iHub partnership.

(3) Serving as the primary liaison to the state and the office.

12099.3. (a) The office shall issue a request for proposals for the California Innovation Hub Program.

(b) An applicant’s proposal shall include, but shall not be limited to, all of the following information:

(1) A statement of purpose.

(2) A signed statement of cooperation and a description of the roles and relationships of each entity involved in the iHub partnership.

(3) A designated iHub coordinator.

(4) A clear explanation and map conveying the iHub’s physical boundary.

(5) A clearly stated designee to coordinate iHub activities.

(6) A clearly identified central location.

(7) Clearly identified benchmarks or milestones with approximate dates as to when they will be achieved.

(8) A complete budget including a description of secured funds with proof, pending funds, and potential future funding sources.

(9) A list and brief description of local and regional incentives and support programs.

(10) A clearly articulated commercial market focus and plan.

(11) A clearly articulated iHub management structure and plan that may include a description of the capabilities, qualifications, and experience of the proposed management team, team leaders, or key personnel who are critical to achieving the proposed objectives.

(12) A list of iHub assets and resources.

(13) A clearly articulated focus area of the iHub including industry sectors or other targeted areas for development and growth.

(14) A list of specific resources available to support and guide startup companies.

(15) A clearly articulated list of goals to be achieved with the certification of the iHub.

- (16) Expectations for job development and business creation.
- (17) Defined performance standards agreed upon by the partners involved in the development of the iHub.
- (18) Evaluation procedures that will be used to measure the level of achievement for each stated goal.
- (19) A plan for sustainability.
- (20) Organizational experience including capabilities, related experience, facilities, techniques, unusual resources, or unique combinations of these that are integral factors for achieving the proposed objectives.
- (21) Demonstrated experience with innovation programs such as involvement with technology commercialization.
- (22) Demonstrated experience with technology transfer or licensing.
- (23) Demonstrated experience with intellectual property management.
- (24) Evidence of community engagement and support.
- (c) The office may waive any of the requirements listed in subdivision (b).
- (d) The office may designate an iHub for a term of not more than five years. An iHub may reapply for a designation without limitation on the number of times.
- (e) (1) The iHub designation shall not be official until a memorandum of understanding is entered into by the applicant and the office. The memorandum of understanding shall include the goals and performance standards identified in the application and other related requirements as determined by the office.
- (2) For an iHub designated by the office before January 1, 2014, the iHub partnership shall have until September 1, 2014, to enter into a memorandum of understanding with the office that meets the requirements of this article.
- (f) More than one iHub may be designated in an area to the extent that there is a clear distinction between the focus area of each iHub.
- (g) The office shall set guidelines for approval, designation, operation, reporting, redesignation, and dedesignation of iHubs.
- (h) An iHub shall annually report to the office on its progress in meeting the goals and performance standards as described in the iHUB application and implementing memorandum of understanding with the office. The office shall annually post the information from these reports on the office Internet Web site and provide notice to the Governor and relevant policy committees of the Legislature that the information is available on the Internet Web site.

12099.4. A designated iHub shall include at least one major university or research center or institute, one economic development organization, and consist of at least four of the following:

- (a) A business support organization including a workforce development or training organization, incubator or business accelerator, business technical assistance providers, chamber of commerce, and networking organization that supports innovation.
- (b) An educational consortium including technology transfer representatives.
- (c) A venture capital network including angel investors.
- (d) A business foundation, innovation foundation, science foundation, laboratory research institution, federal laboratory, or research and development facility.
- (e) A municipal economic development division or department.
- (f) A federal government partner such as a national laboratory.

12099.5. Before an official designation as an iHub, the applicant shall self-certify both of the following:

- (a) That the iHub will comply with the state's nondiscrimination policy.
- (b) That the iHub and its principals are current in payment of all state and local taxes owed unless they have entered into an agreement that was deemed satisfactory by the respective taxing authority and are in full compliance with the agreement.

12099.6. (a) An iHub may do all of, but shall not be limited to, the following:

- (1) Provide counseling and technical assistance, either by direct or indirect services, in the areas of entrepreneurial business planning and management, financing, and marketing for small businesses.
- (2) Provide expert advice to entrepreneurs on starting a business, including legal requirements for starting a business and access to financing opportunities.
- (3) Conduct business workshops, seminars, and conferences with local partners including, but not limited to, state universities, state community colleges, local governments, state and federal service providers, private industry, workforce investment boards and agencies, small business development centers, microenterprise development organizations, small business service agencies, economic development organizations, and chambers of commerce.
- (4) Facilitate partnerships between innovative startup businesses, research institutions, and venture capitalists or financial institutions.

(b) The iHubs shall, to the extent feasible, do all of the following:

- (1) Work in close collaboration with the activities of the office as its primary statewide partner.
- (2) Coordinate activities with the Employment Training Panel, the California Workforce Investment Board, the Office of the Chancellor of the California Community Colleges, the University of California, the California State University, and other state economic and workforce development programs.

12099.7. The Innovation Accelerator Account is hereby created within the California Economic Development Fund in the State Treasury. Subject to the approval of the Department of Finance, all moneys collected and received by the Governor's Office of Business and Economic Development for California Innovation Initiatives from gifts, bequests, or donations shall be deposited in the Innovation Accelerator Account. Notwithstanding Section 13340, the moneys in the account are continuously appropriated to the office to be used for California Innovation Initiatives pursuant to the terms of the gift, bequest, or donation.